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FM AMEMBASSY ROME
TO RUEHC/SECSTATE WASHDC 9573
INFO RUEHLO/AMEMBASSY LONDON 1444
RUEHFR/AMEMBASSY PARIS 2372
RUEHRL/AMEMBASSY BERLIN 1814
RUEHMO/AMEMBASSY MOSCOW 4407
RUEHBJ/AMEMBASSY BEIJING 1288
RUEHUL/AMEMBASSY SEOUL 0510
RUEHKO/AMEMBASSY TOKYO 1919
RUEHFL/AMCONSUL FLORENCE 2821
RUEHMIL/AMCONSUL MILAN 9161
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C O N F I D E N T I A L SECTION 01 OF 02 ROME 002484

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TREASURY FOR U/S LEVEY, CEDDY, MMILLERWISE,

E.O. 12958: DECL: 12/07/2017

TAGS: [EFIN](#) [IR](#) [KNNP](#) [PARM](#) [PREL](#) [IT](#)

SUBJECT: TREASURY U/S LEVEY'S MEETINGS WITH ITALIAN BANKS

REF: A. ROME 2477
[1B.](#) ROME 2394
[1C.](#) SECSTATE 160808

Classified By: Econ Counselor William R. Meara
for Reasons 1.4 (b) and (d).

[¶1.](#) (C) Summary: U/S Levey met with Italy's major private sector banks on November 27 and 28 in Milan and Rome. He explained USG designations (for their involvement in Iran's proliferation activities) of Banks Melli and Mellat, and of the Iranian Revolutionary Guard Corps (IRGC) and its associated companies. He strongly cautioned Italian banks about the risk of doing business with Iranian entities. The Italian bankers noted that their Iranian exposure has decreased substantially over the past year and said most of their Italian competitors are also not accepting new Iranian business. All of the banks noted that the majority of their exposure to Iran is via export credits guaranteed by SACE, the Italian ExIm Bank equivalent. The bankers uniformly reported that they would honor existing contracts with Iranian entities because they believe that, in the event of a default, SACE bears the greatest risk and would continue to back the credits. End summary.

[¶2.](#) (SBU) U/S Levey met with Italy's Mediobanca, Banca Intesa San Paolo and Unicredito on November 27 and 28 in Milan and Rome. U/S Levey opened the meetings with the statement that Iran's finance of proliferation and terrorism has moved from a unilateral U.S. concern to an international/multilateral issue. He noted that a large number of European banks were choosing not to do business with Iranian entities in general, not just those listed in UN designations. He said the Iranian regime is feeling the pressure from sanctions and is looking for ways to get around them. After the UN designation of Bank Sepah, Iranian state-owned banks such as Melli and Mellat are likely trying to pick up business on Sepah's behalf. The U.S. has unilaterally designated Banks Melli and Mellat and the IRGC and its associated companies for their support of Iran's proliferation-related activities. U/S Levey was clear that while the USG hopes for a corresponding UN or EU designation, banks should not wait for such a resolution to cease business with these entities given the risk.

Mediobanca

¶3. (SBU) In response, Mediobanca Board Member Massimo Di Carlo said his bank is not doing any new business with Iranian entities. Mediobanca does have a representative office in Tehran, but there is only one employee and he is restricted to collecting payments on past loans. Di Carlo relayed that Mediobanca's representative in Tehran confirmed that the Iranian banking sector feels pressure from sanctions, but is generally able to find other credit sources in China and the Gulf. Di Carlo noted that since the 1970s, business with Iran has been very profitable with below average credit risk, but that in the current political climate the reputation risk of business with Iran is too high. Di Carlo portrayed Mediobanca's continuing Iranian exposure as marginal and emphasized that it was entirely long-term finance backed by SACE (Italy's Export-Import Bank equivalent). Di Carlo said if Mediobanca withdrew from dealings with SACE, they believed SACE would sue them. Mediobanca asked that future UN designations continue to include an avenue for Western banks to continue to receive funds from designated entities in repayment for existing loans.

Banca Intesa San Paolo

¶4. (SBU) Banca Intesa San Paolo Managing Director Corrado Passera opened by saying avoiding doing business with suspicious Iranian entities is not just a way to reduce reputation risk for his bank but is morally the right thing to do. Passera noted that Banca Intesa San Paolo is putting systems in place for all of its branch banks (including those in Eastern Europe and Russia) to check transactions against the OFAC list. Further, he cited the bank's policy that

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transactions above a certain value must be reviewed and approved at the bank's headquarters (excepted for transactions originating in countries where this is illegal, such as Russia). He stated that the bank had minimal Iranian exposure (32 million euro, though this may not include SACE-guaranteed financing) and was not, in general, pursuing new business with Iran. He did note that the bank would take on new Iran exposure that is approved and guaranteed by SACE.

(Comment: Though Passera promised the bank would do everything in its power to block proliferation and terrorist financing, he did not seem entirely confident that this was possible, especially for small value transactions. End comment.)

Unicredito

¶5. (SBU) Unicredito International and Institutional Affairs Chief Guisepe Scongnamiglio briefed U/S Levey on Unicredito's rapid expansion in the past seven years and noted that the bank is now focusing on getting their operational structure in order. Characterizing Unicredito's exposure to Iran as "very low," Scongnamiglio said they are decreasing business with Iran and interactions have dropped dramatically this past year. U/S Levey briefed Unicredito officials on deceptive actions taken by Iranian firms, including the misuse of an account held at Creditanstalt in Vienna, a bank owned by Unicredito. Scongnamiglio, who appeared surprised, said he would investigate the matter and review their practices.

¶6. (C) Comment: While the banks say they fear lawsuits from SACE if they pull out, we suspect that they stay active in Iran because their operations there are profitable. Blaming SACE is a convenient excuse to continue operating. SACE, however, is unlikely to allow the banks to break contracts, because they need the banks to continue their operations to recoup the 2.1 billion Euros SACE has invested in Iran. End comment.

¶7. (U) Under Secretary Levey cleared on this cable.

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